

## KEY HEADLINES:

The Indian rupee strengthened on Wednesday, helped by an uptick in most Asian emerging market peers, also there were some dollar inflows help makes domestic currency to up against greenback.

The rupee finished the session at 81.24 per dollar, recovering from trading near its Tuesday's close of 81.76 for the better part of the session. It had declined 0.5% in the first two days of the week. Rupee forward premiums jumped, with 1-year implied yield at a two-month high of 2.35%.

India's budget presentation and the Federal Reserve's meeting on Feb. 1 are considered the next big trigger events. The U.S. central bank's rate decision will be significant for currency markets, with participants expecting a smaller 25-basis-points hike and a terminal rate of around 5%.

The dollar dropped across the board on Wednesday after a batch of weak data that suggested the world's largest economy is finally slowing down amid a slew of big rate hikes by the Federal Reserve. Wednesday's economic reports reinforced expectations that the Fed will continue to reduce its tightening pace in upcoming meetings.

At a two-day policy meeting, the BOJ kept intact its yield curve control (YCC) targets, set at -0.1% for short-term interest rates and around 0% for the 10-year yield, by a unanimous vote. It also made no change to its guidance that allows the 10-year bond yield to move 50 basis points either side of its 0% target.

The key for the rupee and other emerging market currencies this year will be contingent on how the U.S. inflation and growth data shape up and how they affect the U.S. Federal Reserve rate expectations. The markets are beginning 2023 on expectations that the Fed will further slow down its pace of rate hikes to 25 basis points when it meets next in February and start cutting rates later in the year in response to a slowing economy.

## Economic Indicators to be released.

Indicator	Currency	Forecast	Previous	Impact
ECB President Lagarde Speaks	EUR			HIGH

Philly Fed Manufacturing Index	USD	-10.9	-13.8	MEDIUM

**Support Resistance Levels – Currency Future:**

Currency	LTP	S1	S2	R1	R2	Trend
USDINR FUTURE	81.33	81.25	80.90	82	82.55	BEARISH
EURINR FUTURE	88.20	88	87.25	88.80	90	SIDEWAYS
GBPINR FUTURE	100.47	100	99.40	100.60	101.60	BULLISH
JPYINR FUTURE	63.01	62.25	61.30	63.50	64.20	BULLISH

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